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ABSTRACT

This report examines the changing nature of higher education policy and the fact that many policy assumptions are no longer valid, and sets out a research agenda for the National Center for Public Policy and Higher Education (NCPPHE). It discusses how the growing importance of higher education, and postsecondary education in general, is affecting individuals, employers, and society, and the role of the states in supporting higher education. The report then reviews the changing nature of higher education policy, focusing on mission and program approval, governance, regulation, financing and resource allocation, quality assurance, reporting requirements, setting public priorities, and policy leadership. It is argued that policymakers will have to adopt a broader definition of higher education, recognize that postsecondary education will increasingly come in "bites" that are bigger than existing courses but smaller than existing programs, and respond to the growing demand for certification of the resulting learning that comes in these smaller bites. The report concludes that NCPPHE should develop a research agenda that focuses on new ideas and conceptual structures, formulating a public agenda, experience and action-research, good practice in the design and use of policy tools, and commentary on the inevitable policy fads. (MDM)

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THE CHALLENGES AND OPPORTUNITIES FACING HIGHER EDUCATION

An Agenda for Policy Research

By
Dennis Jones
Peter Ewell
Aims McGuinness

December 1998

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Foreword

In late 1997, Patrick Callan, president of the newly formed National Center for Public Policy and Higher Education (the National Center), invited the staff of the National Center for Higher Education Management Systems (NCHEMS) to prepare a paper suggesting a research agenda that might be pursued by the new organization.

An initial version of this paper was submitted to the National Center in early February 1998. It has since been reviewed by numerous individuals and used as background material for invitational seminars convened to discuss the state of public policy regarding higher education and the need for new policy concepts and further research. While unchanged in many respects from the draft submitted in February, this version includes several substantive improvements that can be traced to discussions with friends and colleagues who are attempting to understand—and shape—higher education policymaking around the world. We are most grateful for their willingness to share their ideas and perspectives.

The paper attempts to accomplish three main tasks:

- To make the case that the policy environment for higher education is changing and that many current policy assumptions no longer obtain. For instance: policy interests are shifting toward a concern with client needs and service and away from attention to institutions and their needs; and the tools of policy are increasingly focused on shaping institutional behavior indirectly (through creating and regulating markets), rather than directly (through regulating and controlling institutions).
- To identify the kinds of issues that arise—and the particular types of policy questions that must be addressed—if the above assertions are true.
- To suggest the kinds of activities that could most usefully be incorporated into the research and development agenda of the National Center.

While the paper is no longer labeled a draft, it remains a work in progress. Comments from readers that challenge the paper's assumptions, that identify issues that were missed, or that suggest particularly fruitful areas for policy research are actively sought.

Dennis Jones
Peter Ewell
Aims McGuinness

Introduction

The basic framework for policymaking in postsecondary education has been essentially unaltered since passage of the federal Higher Education Act more than 30 years ago. To be sure, specific policies have been continuously enacted and re-enacted regarding finance, governance, accountability, and other topics, and these have resulted in substantial changes in the postsecondary educational landscapes of many states. However, these changes have been wrought within a more fundamental policy framework characterized by:

- a focus on educational providers and—more particularly—on public institutions of higher education;
- an attempt to directly manipulate the actions of these entities through myriad regulations;
- a narrow definition of the client base for postsecondary education, encompassing primarily those recently graduated from high school;
- presumptions that education will be delivered predominantly on college and university campuses and primarily through face-to-face interactions between students and faculty;
- an assumption that educational objectives of both students and institutions can legitimately be expressed in terms of degrees received and granted; and
- broad acceptance of provider-defined and provider-developed approaches to quality assurance, based primarily on academic standards addressing "minimum" levels of inputs and traditionally defined academic processes.

Many forces are now emerging to challenge these basic premises. In the process, they are fundamentally altering the parameters within which postsecondary policy at the state level must be conceptualized and developed. This paper describes the new environment within which policy must be shaped, and suggests a set of issues—and an associated agenda of action—that must be addressed if the development and implementation of new state-level policy frameworks are to be successful.

Context

Postsecondary educat on is becoming increasingly important to the U.S. and its citizens, both individual and corporate. Our nation needs a citizenry that can participate fully and positively in a democratic society. And the problems our society must deal with are increasingly complex; witness the recent debates on international trade, global warming, censorship of materials distributed via the Internet. At the same time, instant communication with policymakers and opinion leaders, and the proliferating use of ballot initiatives as the vehicle for policymaking, have empowered the general citizenry as never before. The average citizen now has an opportunity for influence that, in previous generations, was the preserve of only a chosen (and typically wealthy) few. Whether or not citizens exercise this new influence, or do so in an informed way, is another matter. When such citizen influence is exercised, the nation is better served if it occurs with a real understanding of—not just feelings about—basic issues. Such understanding is unlikely to be accessible to those who lack the ability to effectively collect, judge and analyze information in order to form reasoned conclusions. As social and political issues become ever more complex, the premium placed on citizen competence will increase apace.

Our nation needs a citizenry that can participate fully and positively in a democratic society.

Employers too are seeking higher levels of education in the workforce. The economy is increasingly global, with companies both acquiring goods and services in foreign countries and selling their products internationally. To be successful, U.S. firms must increasingly find markets or productive niches that have specific kinds of competitive advantage. Increasingly these niches are in information- and technology-intensive arenas, and the resulting enterprises must rely on intellectual rather than physical strength for their success. Moreover, even the most routine tasks in the future economy are likely to require the significant use of technology. Partly as a consequence, it is more and more difficult for citizens to find jobs that yield a comfortable middle-class standard of living absent the skills associated with education beyond high school. As the U.S. economy becomes increasingly focused on processing and creatively using information, the education of its workforce becomes a key ingredient in the economic well-being of the nation.

While many citizens have not yet recognized or accepted the growing link between their own education and their quality of life, a rapidly growing number each year are doing so. As a result, they are pressing to acquire new knowledge and skills through the services of a broadening array of educational providers. Parents, moreover, worry increasingly about their children's access (physical and

economic) to the kinds of educational opportunities—and the credentials that go with them—that they perceive as gateways to security and personal fulfillment. Without higher levels of knowledge and skills, in short, it will be increasingly difficult to move beyond concerns about survival to the pursuit of higher-order objectives.

From all sides, therefore, the pressure for individuals to learn more, and to do so more frequently, is growing. Educators have talked about the importance of "life-long learning" for decades. Finally, this reality is becoming widely recognized and accepted by key segments of public opinion. With increasing recognition of ongoing learning as a national imperative, however, the client base for higher education is expanding and becoming more complex; moreover, this process is occurring differently for individual citizens, employers, and society in general. The needs and perspectives of each of these three groups must therefore be explicitly considered in the policies for postsecondary education established by state and federal governments.

1. Individuals

With regard to individual clients of postsecondary education—including current and potential clients—attention to three distinct policy issues is essential. First, those individuals who would not normally engage in college-level work after attending high school are emerging as a group whose educational needs must be addressed by postsecondary education. Policy studies in state after state reveal that the largest unmet educational needs—and the largest barrier to local and statewide economic development—are in the area of basic skills education. Large numbers of adults in every state remain, for all intents and purposes, functionally illiterate. Neither higher education nor public policy has fully embraced the need to respond effectively to this clientele. This task is considered "beneath" postsecondary educators and remains a frustration for policymakers who believe, perhaps justifiably, that this level of education should have been acquired through (already paid for) secondary school attendance. Basic skills education for adults must be addressed, however, and doing so will result in considerable diversification in the client base for postsecondary education.

Policy studies in state after state reveal that the largest unmet educational needs—and the largest barrier to local and statewide economic development—are in the area of basic skills education.

The future client base for postsecondary education is also growing more diverse as ethnic and cultural diversification accelerates in the population to be served. The U.S. has been, and continues to be, a nation of immigrants. This means that students come to college with widely differing background experiences, cultures and educational needs. They also come with a variety of skin colors as well as levels of competence in the use of English. The difficulties of

dealing with this complex diversity do not obviate the necessity of doing so, despite recent rulings on affirmative action.

A final complexity in the client base arises from the age distribution of individuals seeking some form of postsecondary education. We are well beyond the time when most individuals took their higher education "shots" in intensive doses, all at once, at 18 to 21 years of age. Now, many people don't begin postsecondary education until later in life. Even those who earn degrees as young adults, moreover, are faced with the necessity of returning for educational "booster shots" on a periodic basis. The older the student, the more diverse their experiences. The more varied their needs and priorities, the more complex the task of responding to those needs.

2. Employers

Employers act as clients for postsecondary education in two major ways, with distinct implications for policy. First, employers draw from an entry-level workforce educated, to a greater or lesser degree, by current educational providers: K–12 schools at minimum, and often one or more postsecondary education providers as well. In this role as *indirect* client, employers are increasingly seeking mass "products" of the education system who are:

- *more highly educated than previously was the case.* In this regard employers certainly want individuals who have higher levels of technical competence. But perhaps more importantly, they are also looking for potential workers with high-level proficiency in more general higher-order skills, including communication, computation, problem solving, and critical thinking.
- *certified as to these proficiencies.* Not only do employers demand the kinds of skills noted, but they also require proficiency to a certain standard—consistent in application, transferable from one situation to another, and (if possible) attested to by an objective third party. This particular expectation is just starting to emerge in the employment community, but promises (or threatens, from the perspectives of many) to become much more widespread in the future.

Employers also come to higher education as *direct* clients of postsecondary education, seeking ready access to continuing education opportunities for their current employees. This demand can sometimes be met by "off-the-shelf" courses and programs. In every likelihood, however, this demand will be met in increasingly idiosyncratic ways—tailored not only with respect to content, but to

form, time and place of delivery. Continuing education services will likely be sought "at the last minute" or "just in time," as are other products and services acquired by these organizations.

3. Society

It has already been noted that society at large needs citizens who are educated sufficiently to: sort through information about complex issues drawn from numerous sources; adequately assess the biases associated with this information; and use it to make informed decisions or judgments. This is a generic need of society: a population with the skills required to ground an effectively functioning democracy.

In addition to this generic need, society has historically looked to higher education for other important services. Among them are research in areas important to the national interest such as national defense, the elimination of threats to health, and understanding the earth on which we live. Since at least the second world war, these have been viewed as *national* priorities. Because higher education is rapidly becoming a central feature of economic competitiveness, however, it also has a growing role in *local* or *regional* economic development. Here the focus can be placed on either *direct* contributions (e.g., providing education in directly relevant areas) or on *indirect* contributions (e.g., by contributing to the general quality of life in the region). This move toward a more local or regional definition of "societal need" is a logical extension of the current pattern of political devolution of authority on numerous issues.

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The cumulative effects of recognizing the importance of postsecondary education across these three key constituencies—as well as the increasing diversity and complexity of the client bases—have become impossible for policymakers to ignore. Together these forces are determining both the kind and character of policies needed in coming decades. In order to respond effectively to these forces, policymakers will need to adopt a decisively *different* approach to formulating policy regarding postsecondary education. Specifically, they will need to:

Policymakers will need to adopt a decisively different approach to formulating policy regarding postsecondary education.

- *adopt a broader definition of higher education.* The definition referring to providers of "higher education" must at minimum encompass those institutions normally designated by the label "postsecondary education." More significantly, it must recognize the capacity and contributions of a growing sector of providers that would normally be left out of

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any current definition of "postsecondary institutions," including corporate training providers, libraries, publishers, and courseware developers. When referring to "learners," moreover, all postsecondary-age citizens must be included within the definition regardless of whether they have experienced traditional kinds of academic preparation for college-level work. Specifically, it must include those who need basic literacy training, those participating in English language programs, and those engaging in related developmental skills programs designed to make them viable workers and citizens. These expanded definitions of providers and learners—falling outside the narrower definition of *higher* education but within the broader definition of *postsecondary* education—should occupy an increasingly central role in future public policy discussions.

- *recognize explicitly that higher education will have to "go to" many of its clients rather than expecting clients to "come to" them.* Increasingly, clients will include place-bound adults, residents of defined geographic areas with specific educational needs that must be dealt with on a regional basis, and established industries (and individual employers) with continuing on-site or local education needs for their employees. These clients require educational approaches that fit a client-centered delivery mode rather than a pattern of attendance or service dictated by educational providers. As a result, the traditional concept of "geographic service area" will have to be reinterpreted in future policy. At present, this concept emphasizes assigning "exclusive" rights to a given institution to provide educational programs within a given area. In the future, the concept should refer not to the rights of institutions, but to the needs of the citizens in the geographic area, needs that should be met using the capacities of whatever providers are appropriate.
- *recognize explicitly that higher education must use appropriate technologies to more effectively "go to" the learner.* Because technologies like broadcast or satellite-distributed television, the Internet, or CD-ROM-based instruction respect no geographic boundaries, policies that assume the primacy of such boundaries (including state lines) will have to be reconsidered. At the same time, the impact of such technologies on the nature of instruction itself—including growing asynchronicity and greater learner participation, together with the faculty-development implications that these entail—will need to be specifically addressed.
- *recognize that postsecondary education will increasingly come in bites that are*

bigger than existing "courses" but smaller than existing "programs." The delivery of education must reflect the objectives of learners and their employers rather than the scheduling and delivery traditions historically established by academe. Single courses are seldom sufficient, either because of the amount of content covered, or the way it is packaged; some content is viewed as relevant, some not. Complete degree programs either have more content than the learner is seeking or they take more time than the learners can devote during a single given period of their lives.

- *respond to a growing demand for certification of the resulting learning that comes in these smaller "bites."* In some cases, certification will have particular meanings to specific employers. In others, it will be accepted by academic institutions as fulfilling particular degree requirements, or portions thereof. In these days of high employment mobility, such certifications are important for both individuals and employers. For example, the acceptance and market value of such credentials as the Novell Certified Network Engineer (CNE) have stimulated increased interest in certifications for other important areas within the computer industry. A key postsecondary policy challenge will be to provide quality assurance for these certifications, and to encourage their recognition, where appropriate, by academic institutions.

Together, these imperatives suggest the need for a policy framework that is more oriented to learners and less oriented to educational providers than is currently the case.

Together, these imperatives suggest the need for a policy framework that is more oriented to learners and less oriented to educational providers than is currently the case. Given the historical policy emphasis on *institutions* of *higher* education, shifting to such a framework will constitute a substantial challenge. It will require more than merely "fine-tuning" current policies that have developed incrementally over many years. Instead, it will require fresh thinking about fundamental policies and significant changes in well entrenched ways of doing business. Some of the dimensions of these changes are addressed in the following section.

The Policy Structure

The policies of state government have historically been the foremost device for "steering" higher education in the U.S. At the most basic level, principles embodied in the U.S. Constitution make matters of education—both K–12 and postsecondary—an explicit state assignment. While responsibility for the public schools has been given to local bodies (with the expectation that local tax money will be a major feature of school finance), public colleges and universities are largely creatures of the state. In many states, the assets of the institutions are actually owned by the state. Even in cases where this is not so, state government wields enormous influence, through both the power of the purse and its general regulatory authority.

Certainly, the federal government also plays a significant role in shaping the directions of higher education. But federal influence is exercised indirectly through the clients of higher education rather than through direct engagement with providers. For example, the majority of federal funding of higher education flows through a variety of student financial aid programs that empower students by providing them with greater choice and access within the academic marketplace. A second major federal influence is accomplished through its funding of research activities. In this case, the federal government enters an established marketplace as a "client" in its own right, acting in the name of the larger society. Although federal research funds flow through institutions, they get there as a result of client choice, exercised through proposal processes and awarded on the basis of peer review. Moreover, such funds are allocated on the explicit condition that the institution will *do* something in particular. Herein lies a major distinction between the roles of the states and the federal government in higher education. State governments pursue public purposes primarily by assuming responsibility and providing direct operating support for public institutions as societal assets. The federal government, in contrast, pursues certain social objectives primarily by funding clients and by buying services of multiple providers, both public and private.

Postsecondary education systems are the creatures of 50 distinctive state political cultures. It is not surprising, therefore, to find considerable variety in the public policies relating to these systems. States also develop and carry out these policies through a wide variety of entities: the state legislature, the governor, and various regulatory or coordinating agencies. Yet despite this variation, state policymakers have always had a relatively limited policy toolkit at their disposal, and they have tended to use available tools in similar ways. The following subsections characterize the dominant patterns.

TOOL 1—MISSION AND PROGRAM APPROVAL: DETERMINING WHAT INSTITUTIONS CAN AND CANNOT DO

In most states, state government has the power to determine whether or not particular institutions will be allowed to operate within the boundaries of the state, and the conditions under which such permission will be granted. For public institutions, state action specifically establishes (and, rarely, disestablishes) institutions. For private institutions, most states have created registration or licensure requirements that must be met before such institutions are allowed to operate within the state. But most states are no longer in the position of creating new institutions. Almost all, however, are continually faced with decisions about what "businesses" existing institutions should appropriately undertake. These decisions are shaped by policies that deal with the following three areas.

1. *Institutional Mission.* States can define the missions of individual institutions, systems and sectors (e.g., community and technical college systems as opposed to university systems). While there are many dimensions to institutional missions, the key ingredients tend to be:

- the extent to which the institution will be engaged in research and public service in addition to its basic instructional function;
- the levels of degrees that the institution is authorized to grant (baccalaureate, doctoral, etc.);
- the specific array of programs that can be offered; and
- the characteristics of the students that the institution is intended to serve. Typical distinctions here include the academic ability of students (exercised through differential admissions requirements) and the geographic region of the state from which students can or should be drawn.

2. *Program Approval.* Policies regarding program approval are put in place in part to constrain an institution's ability to unilaterally change its program offerings, and, via this avenue, to indirectly alter its mission. In addition, the authority to approve programs can help to balance the state's range of programs, often taking into account the offerings of private institutions.

3. *Geographic Service Areas.* Policies regarding geographic service areas, in essence, grant an institution exclusive rights to offer programs (within its assigned mission) in a prescribed geographic region of the state.

States use policies regarding mission, program approval, and geographic service areas largely to limit institutional competition and to avoid unnecessary duplication of programs and services. They use this tool to limit regional

competition for postsecondary resources and to curb the inevitable drift of missions away from undergraduate teaching toward the research university. In their quest for state-level efficiencies, however, states also tend to create monopolistic environments for individual institutions—a condition that seldom leads to efficiency or high quality. Given a more or less exclusive market within a given area, institutions quite naturally presume that students will have no choice but to come to them rather than the other way around. Indeed, when rigid institutional missions do begin to break down, their collapse is often prompted by specific demands for services from place-bound clientele—students who might in fact be served by another institution that currently does not (or cannot within state policy) offer certain programs. Such conditions are at the root of the phenomenal success that proprietary institutions (e.g., the University of Phoenix) have recently enjoyed.

Because more and more of the clients to be served by postsecondary education institutions will be place-bound and reside at a distance from institutions capable of meeting their needs, competitive markets for postsecondary education will continue to arise despite state attempts to "rationally" apportion missions and service areas. This raises three key policy questions:

1. For *which* client groups will state subvention be provided?

2. What is the *best way* to bring existing educational assets (public, private and proprietary institutions, and services delivered on- and off-site) to bear on unmet educational needs? Further issues within this broader topic include:

- whether or not to remove existing constraints and let market forces shift institutional attention to these needs;
- whether or not to create alternative organizational arrangements that better match supply with demand; and
- how the necessary mix of institutional capacity and desired application of that capacity can be achieved.

3. How can a state optimize institutional capacity designed for mobile students while simultaneously optimizing services to less mobile students scattered across the state?

Tool 2—Governance: Allocating Decision-Making Authority

State policies regarding governance of higher education have focused almost exclusively on the allocation of *formal* decision-making authority to various entities within an established hierarchical structure. These include:

- statewide policy boards (either coordinating or governing) and their executives,
- multi-campus system boards and their executives, and
- institutional governing boards and campus-level decision makers.

Policies here are chiefly concerned with specifying who gets to make which decisions, and under what conditions particular kinds of decisions must be approved at levels higher up in the hierarchy. This pattern is consistent with the larger policy perspective noted earlier—one that reflects state "ownership" of institutions and a desire to directly constrain or manipulate institutional actions.

To date, very little such control has been ceded to groups outside the formal "chain of command." To the extent that others are brought into the process, it is almost exclusively in an advisory role, as in the use of practitioner advisory committees in two-year vocational programs. If higher education is to become more client-centered, a promising approach may be to directly empower clients or their representatives to make certain decisions outside the "chain of command." For example, it might be appropriate under some circumstances to establish community or regional groups to act on behalf of clients in setting priorities for the kinds of programs to be delivered in a particular geographic area. This would constitute a significant break with the current tradition, in which educational providers essentially make this determination. Making this break is important because opposing interests of providers and clients often lead to quite different conclusions about what should be done. Clients seek both specific services and enhanced status for themselves and their communities. Providers seek either the annexation of additional "protected territory," or the ability to deliver courses or programs with high revenues that can be directed toward internal institutional objectives like disciplinary research.

In this milieu, key policy questions include:

- What kinds of decisions, if any, should be made by groups *outside* the current decision-making hierarchy, e.g., by bodies that act directly on behalf of clients?
- How can states structure the process to ensure the effectiveness of decision making on behalf of clients?
- How can states facilitate client access to a wider range of providers?
- How can states ensure greater attention to public priority-setting and policy leadership (see Tool 7) as opposed to system and institutional governance?

A further question then becomes:

- How can the process be *structured* to allow this kind of shared decision making to be effective?

Tool 3—Regulation: Prescribing "How" Providers Should Go About Their Business

As state entities, public colleges and universities must usually comply with rules and regulations that govern other state agencies. At the very least, the institutions are subject to those applying to other nonprofit entities. Since governments have tended to rely extensively on regulatory approaches rather than incentive systems to provide guidance, most public postsecondary institutions must cope with multiple regulatory requirements on an everyday basis. The extent to which colleges and universities are exempt from such regulation varies considerably from state to state. In some states, colleges and universities must conform to the regulations imposed on all state agencies. In others, educational institutions are treated largely as public-benefit corporations, and are subject to fewer regulations. In most states, regulations primarily address contracting, acquisition of fixed assets, and requirements for reporting information to state government.

These kinds of regulations can combine to create an operational straight-jacket for institutions, making change very difficult.

The list of potential regulatory involvement—as experienced by some institutions in some states—is much longer, however, covering such specifics as:

- the number of personnel to be hired,
- compensation of employees,
- reimbursement for travel expenses,
- reallocation of funds among line items and established budget accounts,
- procedures for purchasing goods and services,
- limitations on the use of consultants, and
- limitations on out-of-state travel.

These kinds of regulations can combine to create an operational straight-jacket for institutions, making change very difficult. For colleges and universities to adopt new ways of doing business that respond to client needs and that emphasize innovative solutions to emerging problems, they must be freed of much of the red tape that entangles them. But policymakers are loathe to eliminate regulation absent an alternative that assures them equivalent leverage. Regulation is their most familiar tool and no proven alternative yet exists to ensure that institutions attend to priorities set outside the academe.

If institutions are expected to focus more fully on their clients, then addi-

tional policy questions about approaches that offer alternatives to regulation, such as institutional "steering," will have to be raised and answered. Some of these include:

- What kinds of *workable substitutes for regulation* can be developed to ensure that institutions adhere to good managerial practices and pursue priorities that the government establishes on behalf of its citizens?
- What is the appropriate *domain* for regulation? In other words, in what specific areas are regulations necessary?
- What are the *characteristics* of effective regulations? In other words, what determines the regulatory approaches that work best to attain certain ends, within different institutional and political environments?

Tool 4—Financing and Resource Allocation: Creating Incentives and Subsidies for Action

Although regulation is probably the most ubiquitous policy tool employed by state government to influence institutional behavior, policies governing the allocation and use of state funds are probably the most powerful. This is true for several reasons. First, the budget is the only available policy tool that involves *both* the use of incentives and explicit prohibitions on particular kinds of institutional action. Second, budget issues are revisited regularly—in most states annually and at least biannually. Regulations, in contrast, are placed on the books permanently and can remain there indefinitely regardless of their continuing appropriateness or applicability. Third, budget decisions affect *all* operations of the institution, not just isolated activities or processes. Finally, the budget is tangible and certain. It is much less open to interpretation than statutes, which individual state offices and officials can alter in the rule-making process and can interpret variously in implementation.

Currently, states tend to finance or allocate resources for public higher education in the following ways:

- They are overwhelmingly oriented to funding *providers*. Funding for state student financial aid, for instance, is small in comparison to institutional funding.
- They are geared predominantly to the support of *basic institutional capacity*. Finance mechanisms address, for example, the acquisition of various productive assets (faculty and staff, buildings, equipment, library books, etc.), rather than dictating how such assets should be used. Directions about utilization (or more often, limits on utilization) are generally

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provided by means of attendant regulation rather than being incorporated into the allocation mechanism itself.

- They tend to emphasize equity of funding provisions *among institutional recipients*. Perceived "fairness" to providers thus comes before criteria that might be associated with clients and their needs.
- They tend to be oriented toward *traditional, college-ready students*. For example, it is common for institutional funding mechanisms to exclude support for developmental education and off-campus instruction from state subvention. Similarly, the majority of student aid funding is provided to full-time, degree-seeking, on-campus students.
- They are based overwhelmingly on *inputs or activity levels* (e.g., student credit hours taught) rather than outcomes (e.g., student credit hours completed or educational objectives attained).
- They include *few* examples of funds being provided to empower *client groups* other than individual students—for example, communities or key industries.
- Where a given institution uses *technology* to deliver instruction to students at another institution, they overwhelmingly fund the "sending" institution and ignore the student service and administrative costs incurred by the "receiving" institution.

These tendencies perpetuate the status quo and provide institutions with few incentives to adopt a stronger client orientation. This raises several important questions for policy:

- What is the appropriate *structure* of a state higher education budget? What should its fundamental components look like?
- What constitutes an appropriate *balance* between funding of providers and funding that empowers clients? How can such a balance best be achieved?
- What *mechanisms* appear appropriate for addressing the educational needs of specific, and often quite different, client groups?

Tool 5—Quality Assurance: Providing Accountability and Consumer Protection

Historically, state government has eschewed direct involvement in most academic issues relating to quality assurance. Exceptions are licensure requirements established largely to help ensure that "fly-by-night" for-profit institutions

are not operating in the state, and program-review systems applied to public institutions in many states. For the most part, however, quality assurance has been delegated to regional accrediting bodies. Since regional accreditation is also the minimum "quality" standard required for participation in federal programs, delegating this function is not, on the surface, an unreasonable approach. But it has at least two significant drawbacks.

First, regional accreditations have focused overwhelmingly (at least until recently) on the quality of the providers' resources and processes, not on the quality of the learning achieved. Although the accrediting bodies have lately added more outcome criteria to their standards, their application remains uneven. Even under the best of circumstances, the outcome measures applied are group averages. They are not the kind of measures that certify individual learning and make that certification portable and meaningful in the marketplace. Nor are they capable of saying much about the particular segments of student population (and their characteristics) that do not meet desired standards.

Regional accreditations have focused overwhelmingly on the quality of the providers' resources and processes, not on the quality of the learning achieved.

In the mid- to late-eighties, pressed by demands to ensure greater accountability and "return on investment" for state resources invested in higher education, these drawbacks induced a majority of states to institute assessment mandates for public institutions. While often pursued with vigor, these policies were usually subject to the same drawbacks experienced by regional accreditations: standards were uncertain and institution-specific, and a predominantly "regulatory" approach to implementation meant that assessment policies remained generally unconnected to other state policy tools. More recently, states have attempted to reinforce assessment with more standardized systems of performance indicators. Although these have ensured greater consistency in factors used to assess institutional quality, few such indicators are intentionally constructed to inform particular kinds of public or policy choices, and even fewer address student learning. Indicator systems of this kind, however, have significant potential, including helping to direct special-purpose funding (as well as broader asset-renewal investments) and grounding new approaches to providing consumer-choice information.

A second problem with approaches to quality assurance that defer to institutional providers is a corollary of the first. When almost two-thirds of the students who graduate from college attend multiple institutions, restricting quality-assurance mechanisms to the individual "nodes" in the chain of instruction—rather than focusing on the collective experience and its consequences—misses key aspects of the quality-assurance problem as a whole. These problems are exacerbated by the growing inability of the degree (and particularly the

baccalaureate degree) to certify a common standard of attainment. Based solely on prescribed accumulations of credit, current academic degrees are increasingly incapable of guaranteeing to society that their conferees have achieved given levels of competence—particularly in those cross-cutting areas like communication skills and critical thinking that lie outside the domain of the major. The resulting depreciation of meaning puts both degree-holders and potential employers at a severe disadvantage in the marketplace.

In an increasingly client- and market-centered environment, this provider-centric view of quality assurance is insufficient. This reality has been recognized by entities like Regents College and the Western Governors University that certify learning and award degrees based on demonstrated competence in clearly specified areas. This movement, if successful, promises to bring major changes to the higher education landscape. Together with the changing nature of accountability, it raises a number of questions about higher education policy at the state level. These include:

In an increasingly client- and market-centered environment, this provider-centric view of quality assurance is insufficient.

- How can state entities act more effectively in partnership with other quality-assurance players like accreditors and third-party information providers to minimize duplication of effort and ensure consistency of outcome?
- How can current state-level "performance reporting" and assessment mandates be better integrated with other policy tools to help shape institutional behavior?
- What role, if any, does the state play in ensuring the effectiveness of new and "indirect" quality-assurance mechanisms? Does the state have a role, for instance, in certifying the certifiers?
- What role should the state assume in articulating credit- and competency-based approaches to credentialing? For example, how will the growing presence of credit- and competency-based approaches affect inter-institutional transfer agreements that have already been painfully negotiated at the state level?

Tool 6—Reporting Requirements: Creating an Information Base for Decision Making

State governments currently collect massive amounts of data from institutions of postsecondary education, particularly from public colleges and universities. Almost uniformly, however, these data:

- *are about institutions and their operations.* To the extent that data are gath-

ered about students or other clients, they are compiled from an institutional rather than a client perspective (e.g., current reporting requirements emphasize ascertaining how many students are enrolled at each institution, rather than the total number of students enrolled statewide or the number that are simultaneously enrolled in multiple institutions).

- *are collected primarily to ensure institutional compliance* with established regulations.
- *are not analyzed or disaggregated in ways that are helpful* to either stakeholders or decision makers.

In an environment where learners will exercise greater choice among providers (enhanced by technology-delivered instruction) and where earning a traditional academic degree is not the learner's only objective, students will increasingly have to be viewed as active consumers instead of passive recipients of education. As a result, they will increasingly need information that allows them to act as *informed* consumers. The federal government, through such measures as its "Student Right to Know" legislation, has taken the first halting step in this direction. The popularity of the rankings presented in *U.S. News and World Report* and *Money Magazine* attest to the public's continuing thirst for such information, even though it is irrelevant to the vast majority of students.

Perhaps more importantly, states are beginning to use the market to induce institutions to pay greater attention to improving client service and academic quality. In recent years, even the most proactive states have become frustrated by their inability to directly induce institutions to become more client centered. As noted, regulatory initiatives are generally limited in scope and their influence rarely penetrates to the institutional levels that directly serve or interact with students. At the same time, incentive funding pools, though often effective, are generally limited in size and duration. As a result, many now believe that the only way to effectively induce institutional attention to client needs is to expose them to higher levels of market competition.

If clients are to enter the marketplace for education as informed consumers, they will need information about such issues as:

- the real cost of attendance,
- the likelihood that students "like them" (i.e., those with similar experiences and competencies) will succeed in the particular educational undertaking (e.g., completing a degree or earning a credential), and
- the consequences of successful completion (e.g., getting a particular job or achieving an expected income level).

In addition, such information must be accurate and must allow the potential student to make direct comparisons among alternative providers. Because of the perceived credibility of respected consumer guides, students and other clients may increasingly rely on them rather than on the "sales pitches" of individual provider organizations to provide such information. Finally, to be useful in informing choice, consumer information must incorporate data on non-traditional providers—including proprietary institutions, corporate courseware providers, etc.—that have traditionally fallen outside the realm of state interest and concern.

This emerging requirement for new kinds of information to inform consumer choice raises a number of policy questions about the role of the state:

- Should state agencies serve directly as collectors and repositories of consumer information? Or is it necessary to have a single national or international source of information of this kind?
- What is the state's role in ensuring institutional compliance with requests for information of this kind?
- Should states assume the responsibility of ensuring that reported consumer information is accurate and, if so, *how* should they do so?
- How should states work with accreditors and other non-governmental entities involved in quality assurance to develop an appropriate division of labor in providing consumer information?

Tool 7—Setting Public Priorities: Explicit Agendas for Action

State governments have a long history of stating their expectations for the higher education systems within their province, and of requiring institutions to plan to meet these expectations. These state agendas have until now focused almost exclusively on desired institutional behavior—dealing, for example, with efficiency (e.g., exhortations to "do more with less") or with the relationship between students and institutions (e.g., issues of access, tuition prices, and involvement of senior faculty in undergraduate education). Under the emerging paradigm for postsecondary education, the state will increasingly need to enter the higher education marketplace directly on behalf of society and its disenfranchised members. As this occurs, the role of state postsecondary education agencies must expand to address such tasks as:

- developing a "public agenda" of priority issues to be addressed by the

state system of postsecondary education on behalf of the citizens of the state,

- building consensus around these topics—once identified—with the public and with political and educational leaders, and
- most importantly, taking steps to ensure the coordinated use of policy tools in a manner that promotes rather than hinders the pursuit of priority objectives.

This particular role of state higher education agencies is neither widely accepted nor widely practiced. As a result, there remains much to learn concerning how to effectively create and implement such a public agenda. Among the most important questions are the following:

- What processes are most effective in establishing and building consensus around a public agenda for state postsecondary education?
- What mechanisms are effective in allowing political leaders to embrace an agenda that is far more specific than those with which they are familiar?
- How can support for meeting the unique needs of sub-state regions be generated within this statewide agenda, without the process degenerating into traditional political "deal making"?
- How can agendas be advanced that are not so long-term that the political consensus underlying them evaporates before significant progress is achieved?
- How can consideration of such public agendas be systematically embedded in budget processes, established accountability processes, and other state-level governing mechanisms, which often have lives of their own that are unconnected to such agendas?

The real concern is less the nature and appropriateness of the individual tools than the question of how they can be orchestrated to move a single agenda forward.

The Larger Need—Policy Leadership

Considering individual policy tools identifies a host of questions that must be addressed by those responsible for one or another of the components of state policy. This treatment of the policy tools as independent topics reflects the way policymaking most frequently works: as a set of disconnected initiatives that are usually well-intentioned, but that frequently work at cross-purposes to one another. The real concern is less the nature and appropriateness of the individual tools than the question of how they can be orchestrated to move a single agenda forward.

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In many states, it is becoming more difficult to provide the kind of policy leadership that might conduct such orchestration. Term limits and the associated rapid turnover of legislators in leadership positions are inevitably leading to situations in which power is more widely dispersed and policy dealt with episodically and in a piecemeal fashion. It takes more skill and more persistence to accomplish systemic change in this environment. While the individual skills of leaders have not diminished, their ability to sustain an agenda—at least using the old rules of the game—is decreasing. Their roles in positions of leadership with regard to higher education are short-term, and the coalitions necessary to move an agenda tend to collapse quickly.

This structural problem is exacerbated by some of the realities mentioned previously, especially: (1) the delivery of higher education is becoming more global, not respecting the lines that demark political jurisdictions, and (2) the demand for higher education finds its voice more and more at the local or regional level. In light of these trends, the state is by no means the obvious community of solution. Yet the authority, the responsibility, and the fiscal resources necessary for policy leadership in higher education now reside at the state level.

In the face of this complexity, the urge to abdicate the leadership role can become overwhelming. One manifestation of this urge is the growing popularity of using market forces as an alternative to an unworkable policy framework. But there are serious flaws using the "market" as a substitute for intentional policy, as outlined below.

1. Reliance on the market emphasizes higher education as a private good and diminishes it as a public good. Achieving public purposes in a market environment requires a public entity (the state) to enter the market on behalf of the collective citizenry—a form of policy activism for which most states are ill-equipped.

2. The market has serious imperfections. First, almost all participants in the market are subsidized to a greater or lesser extent. As a consequence, questions about allocating subsidies arise—who gets them, who doesn't, and through what mechanisms. Resource allocation decisions can be thrown into even sharper relief than historically has been the case. Second, the market is poorly informed. Reliance on the market requires a much more proactive stance on the part of the state to provide information to that market.

3. For large numbers of individuals who need education (particularly basic skills) but who historically have not taken the initiative to enter the market, market mechanisms do not work.

4. For the market to work effectively and efficiently, there must be competition at all levels. But many years of policy have deliberately and effectively placed institutions in a monopolistic position. A move toward the market, if sincere, means removing many layers of institutional protection.

At the core, the "state" faces a significant conflict between the two roles it assumes vis-a-vis higher education: as the entity responsible for the creation and maintenance of the major intellectual assets of the state (its public institutions), and as an entity seeking to acquire certain services from those institutions on behalf of the citizenry. Some have noted this as an inevitable conflict between "owner-operators" and "purchasers of services."

In the end, therefore, embracing the "market" does not allow abdication of policymaking responsibilities. But it does significantly change the *nature* of policymaking—from a focus on regulating institutions to a focus on affecting the market.

This perspective on policy leadership raises several extraordinarily important questions:

- What are the conceptual frameworks that can organize thinking about policymaking in a client-centered, market-driven environment?
- Can effective state policy regarding higher education be developed in the absence of a broader reform of state government?
- How can policy be given some continuity in an environment where power is dispersed and leadership changes frequently? More importantly, what steps can be taken to help ensure that policies act in concert in such an environment?
- Can some basic principles be articulated to guide policy leaders in this emerging environment? Or must leaders deal with issues on a state-by-state basis?
- Can the entities established to provide policy leadership for state government simultaneously play the "owner-operator" role and the "purchaser of services" role? If not, what are possible alternative arrangements?

Finding answers to these questions is key to the future health of higher education—and potentially the nation.

An Agenda for the National Center for Public Policy and Higher Education

The list of questions contained in this paper is long and challenging. Taken separately these questions could do more to obfuscate than clarify the nature of a research agenda for the National Center. Considering these questions as part of a larger whole, however, brings a much sharper picture into focus. The central task is to:

> develop a restructured approach to state policymaking in postsecondary education that transforms current provider-oriented policy tools into mechanisms deliberately designed to incorporate newer client-centered perspectives.

An alternative phrasing might be to:

> develop an approach to state policymaking in postsecondary education that recognizes the simultaneous need to: (1) sustain and enhance colleges and universities as key state assets; and (2) use the educational marketplace in ways that will assure that these assets are used efficiently to serve the needs of individuals, employers, local communities, and the larger society.

Regardless of the specific framing of the issue, some fundamental needs must be attended if progress is to be made.

1. New Ideas and Conceptual Structures

The cadre of individuals actively engaged in public policy research and development on the issues identified in this paper is small—in the U.S. and worldwide. This limits the amount of work being done on these topics. At the same time, it provides an opportunity to create an informal network of colleagues whose work can be made more symbiotic and reinforcing. Key to harnessing this energy will be the development of conceptual papers that:

- describe the emerging environment in ways that bring coherence to how problems are being defined, and eventually some order to findings and observations that result from attempts to respond to these problems; and
- posit the ways in which the available set of policy tools will have to be modified—in form and use—to be effective in this environment. A critical task will be to articulate a revised set of policy tools that are internally consistent and mutually reinforcing.

At least initially, this conceptual work should be designed to fuel discussions and

reflections on the part of that small cadre of individuals who are engaged in public policy research on these topics worldwide.

2. Formulating a Public Agenda

In the final analysis, most conversations about policy tools are discussions about *means*—about *how* something is to be accomplished. Far too often, adoption of new means-oriented tools proceeds without a clear understanding of the *ends* to be achieved through such application. This is particularly a problem when the political consensus around objectives has eroded, and when recitation of the previous rhetoric about commitment to access, quality, and efficiency is belied by actions that refute the words. Even those political jurisdictions that affirm their commitment to higher education need to more clearly address questions regarding access for whom, quality as measured how, and efficiency in what domains.

In no way can the National Center presume to establish the public agendas for each of the 50 states. Ideas and information, however, can be presented to policymakers in ways that bring more client-centered objectives into consideration, and new thinking about the substance of public agendas into open forums. Well-designed approaches to both public opinion information and state-level "indicators" are means that can combine new conceptual ideas with the tangibility it takes to capture attention and broaden understanding.

3. Experience and Action-Research

At any one time, the political and educational leaders in only a limited number of states are committed to fundamental changes in the policy environment affecting postsecondary education. In most of these states, individuals or organizations who focus on public policy research and development are engaged as active participants in the change process. It would be a boon to all participants if the National Center staff could join in these processes—as chroniclers, but more importantly as fellow shapers of the policy products that result. This collaboration could add substance to the conceptual ideas, and texture and color to the materials prepared for use by state policy leaders.

There is a huge need for recommendations as to "good practice" in the deliberate use of available policy tools.

4. "Good Practice" in the Design and Use of Policy Tools

At the conceptual level, even the best ideas are unlikely to be adopted and implemented in a world where policymaking is decentralized. There is a huge need for recommendations as to "good practice" in the deliberate use of available policy tools (e.g., budget, information, accountability, governance) in a more client-

centered environment. These recommendations, at a minimum, should address:

- suggestions as to the nature of sound policies,
- procedures for implementing novel policy ideas, and
- suggested points of policy integration (i.e., descriptions of how a given policy affects and is affected by other policies in a given context).

This focus on products describing good practices is especially suggested because there are numerous forums—conducted by national organizations such as the Education Commission of the States (ECS), the National Conference of State Legislatures (NCSL), and the National Governors' Association (NGA), and by regional higher education organizations such as the Western Interstate Commission for Higher Education (WICHE), the Southern Regional Education Board (SREB), and the New England Board of Higher Education (NEBHE)—in which educational policymakers convene to discuss issues and policies. Most such discussions, however, lack real conceptual guidance. There is thus a critical need for a set of *tangible* proposals—less concrete than "model legislation" but more specific than "concept papers"—to guide the complex process of policy development. Current information, in contrast, generally takes the form of "show and tell"—sharing individual state actions and experiences with others without the benefit of a conceptual base from which to judge past actions or to shape future ones. This leads to frequently sharing bad practices as well as occasionally sharing good ones.

As noted, documenting "good practice" is particularly important in this age of term limits. With rapid turnover in political leadership in many states, products that can provide the basis for institutionalizing good practice are especially germane. For example, a budget structure that institutionalizes funding for state priorities and for the renewal of key assets might transcend the political vagaries resulting from a changing legislature. Another example might be an annual meeting between educational and political leaders to discuss a proposed public agenda for postsecondary education, providing information about progress on a previous agenda and suggesting changes for future years. Such practices would not preempt a given state's ability to address specific needs within a more general policy framework. Their widespread dissemination would help to ensure that key areas of higher education policymaking are kept at the forefront, despite the inexperience of a constantly changing cast of political players.

A corollary to the development and documentation of "good practices" is the need to communicate these ideas concretely through illustrations of how particular policy tools can be applied to *specific issues in specific policy contexts*. These illustrations would be most useful if they were based on case studies of

actual situations, described in the context of a broader conceptual model, with the strengths and weaknesses of the resultant policies diagnosed against principles of good practice. Specially constructed scenarios reflecting easily recognizable state policy conditions might be developed to supplement or communicate the findings of such studies. Throughout, the focus should be on the importance of policy consistency and integration.

5. Commentary on the Inevitable Fads

Policymaking about higher education occurs more frequently through borrowing solutions (to another state's problems) than through crafting solutions specifically appropriate to local conditions. Witness the spread of Hope Scholarship programs, performance funding, etc. The National Center is in a unique position to comment on these emerging fads, especially if it stands on sound conceptual ground when doing so. This suggests, again, that the National Center be attentive to the conceptual base and to the specific policies that emerge from annual legislative sessions, as grist for an ongoing dialogue about the strengths and weaknesses of those policies.

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As noted at the outset of this section, attempts to deal with all the issues raised in this paper creates an unmanageable agenda. However, the National Center is in the unique position of being able to:

- further the overall conceptual structure so that work on component parts can be pursued by interested and capable policy researchers in other organizations, and
- communicate good ideas to audiences beyond the reach of these other policy analysts and researchers.

The enumerated agenda items in this section suggest ways this particular advantage could be made tangible.

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Conclusion

Although policy is likely to be implemented piecemeal, it must be designed within the context of a broader perspective.

This brief paper has attempted to enumerate the key questions higher education policy faces today, and the way policy might be changed to accommodate the environment in which higher education must function. By its nature, this paper has addressed numerous topics that, while important, could easily be seen as too specific and too mundane. This attention to detail should not be allowed to obscure the broader points in the paper. First, policy for the coming decade cannot be fashioned successfully by fine-tuning policies that are currently in place; policymakers need an entirely new conceptual approach to policy frameworks and subsequently to the individual components of policy. Second, policy—and policy research—must be conceived holistically. Although policy is likely to be implemented piecemeal, it must be designed within the context of a broader perspective. This confluence of critical need and the positioning of the National Center within the ranks of policy researchers creates an opportunity for the National Center to play a unique role in shaping both the way policy is conceived and the way it is applied.

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The National Center for Public Policy and Higher Education was established in 1998 to promote opportunity, affordability and quality in American higher education. As an independent, nonprofit, nonpartisan organization, the National Center provides action-oriented analyses of state and federal policies affecting education beyond high school. The National Center receives financial support from national philanthropic organizations; it is not affiliated with any institution of higher education or with any government agency.

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98-1 *Concept Paper: A National Center to Address Higher Education Policy*, by Patrick M. Callan (March 1998). Describes the purposes of The National Center for Public Policy and Higher Education.

98-2 *The Price of Admission: The Growing Importance of Higher Education*, by John Immerwahr (Spring 1998). A national survey of Americans' views on higher education, conducted and reported by Public Agenda.

98-3 *Organizing for Learning: The View from the Governor's Office*, by James B. Hunt Jr., Governor of North Carolina and Chair of the National Center for Public Policy and Higher Education (June 1998). An address to the American Association for Higher Education concerning opportunity in higher education.

98-4 *Tidal Wave II Revisited: A Review of Earlier Enrollment Projections for California Higher Education*, by Gerald C. Hayward, David W. Breneman and Leobardo F. Estrada (September 1998). Finds that earlier forecasts of a surge in higher education enrollments were accurate.

98-5 *The Challenges Facing California Higher Education: A Memorandum to the Next Governor of California*, by David W. Breneman (September 1998). Concludes that the next governor should give serious consideration to exploring a new Master Plan for Higher Education.

98-6 *Federal Tuition Tax Credits and State Higher Education Policy*, by Kristin D. Conklin (November 1998). Examines the implications of the new federal income tax provisions on students and their families, and makes recommendations for state higher education policy.

98-7 *Higher Education Governance: Balancing Institutional and Market Influences*, by Richard C. Richardson, Jr., Kathy Reeves Bracco, Patrick M. Callan, and Joni E. Finney (November 1998). Describes the structural relationships that affect institutional efficacy in higher education, and argues that effective state policy achieves a balance between institutional and market forces.

98-8 *The Challenges and Opportunities Facing Higher Education: An Agenda for Policy Research*, by Dennis Jones, Peter Ewell, and Aims McGuinness (December 1998). Argues that due to substantial changes in the landscape of postsecondary education, new frameworks for state-level policy must be developed and implemented.

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